CONSOLIDATED FINANCIAL STATEMENTS

Presbyterian Church (U.S.A.) Foundation
Years Ended March 31, 2016 and 2015
With Report of Independent Auditors

Ernst & Young LLP

Building a better
working world

Presbyterian Church (U.S.A.) Foundation

Consolidated Financial Statements

Years Ended March 31, 2016 and 2015

Contents

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Report of Independent Auditors

The Trustees of the
Presbyterian Church (U.S.A.) Foundation

We have audited the accompanying consolidated financial statements of the Presbyterian Church (U.S.A.) Foundation, which comprise the consolidated statements of financial position as of March 31, 2016 and 2015, and the related consolidated statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Presbyterian Church (U.S.A.) Foundation at March 31, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Ernst & Young LLP

November 9, 2016

Presbyterian Church (U.S.A.) Foundation

Consolidated Statements of Financial Position

		March 31		
		2016		**2015**
Assets				
Cash and cash equivalents	**$**	**2,601,380**	$	3,338,433
Investments and accrued income		**1,010,148,048**		1,082,030,599
Total cash and investments		**1,012,749,428**		1,085,369,032
Principal admissions receivable		**178,309**		1,145
Loans receivable, net of reserves		**71,867,127**		77,197,652
Property, equipment, and software, net of accumulated depreciation and amortization		**1,800,541**		1,946,531
Present value of beneficial interest in Pew Trust		**5,829,268**		6,215,720
Amounts receivable from Presbyterian Church (U.S.A.), A Corporation		**1,133,501**		2,946,282
Other assets		**1,185,347**		132,531
Total assets	**$**	**1,094,743,521**	$	1,173,808,893

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	March 31	
	2016	**2015**
Liabilities, funds held for benefit of others, and net assets		
Liabilities:		
Accounts payable and accrued expenses	**$ 1,194,524**	$ 1,181,984
Gift annuity reserves	**46,220,735**	51,626,471
Principal and income distributions payable	**238,833**	279,400
Total liabilities	**47,654,092**	53,087,855
Funds held for benefit of others:		
Nonendowment funds:		
Investment funds	**67,261,040**	66,735,267
Loan funds	**241,044,503**	247,569,834
Annuity and life income plans	**59,092,068**	65,073,827
Other	**3,096,763**	3,941,170
Total nonendowment funds	**370,494,374**	383,320,098
Endowment funds:		
General Assembly Agencies and related institutions	**523,354,337**	572,125,344
Jinishian Memorial Program	**28,610,275**	31,747,257
Jarvie Commonwealth Service	**–**	94,702,200
Total endowment funds	**551,964,612**	698,574,801
Total funds held for benefit of others	**922,458,986**	1,081,894,899
Total liabilities and funds held for benefit of others	**970,113,078**	1,134,982,754
Net assets:		
Unrestricted	**10,969,770**	10,220,363
Temporarily restricted	**76,503,253**	6,844,723
Permanently restricted	**37,157,420**	21,761,053
Total net assets	**124,630,443**	38,826,139
Total liabilities, funds held for benefit of others, and net assets	**$ 1,094,743,521**	$ 1,173,808,893

See accompanying notes.

Presbyterian Church (U.S.A.) Foundation

Consolidated Statements of Activities and Changes in Net Assets

Year Ended March 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Changes in unrestricted net assets from operations:				
Revenues and gains:				
Fees earned from managed funds	**$ 15,069,376**	**$ –**	**$ –**	**$ 15,069,376**
Contributions	**1,817**			**1,817**
Investment income	**1,117,117**	**–**	**–**	**1,117,117**
Other	**1,847**	**–**	**–**	**1,847**
Total revenues and gains	**16,190,157**	**–**	**–**	**16,190,157**
Expenses:				
Marketing and development	**3,012,115**	**–**	**–**	**3,012,115**
Investment management	**1,938,707**	**–**	**–**	**1,938,707**
Management and administrative	**9,161,541**	**–**	**–**	**9,161,541**
Total expenses	**14,112,363**	**–**	**–**	**14,112,363**
Excess of revenues over expenses from operations	**2,077,794**	**–**	**–**	**2,077,794**
Nonoperating increases (decreases) in net assets:				
Contributions	**1,418,472**	**1,882,137**	**4,720**	**3,305,329**
Gift annuity self-insurance fees earned	**338,372**	**–**	**–**	**338,372**
Investment income (loss)	**5,433**	**2,803,661**	**–**	**2,809,094**
Net loss on investments	**(1,256,929)**	**(7,942,693)**	**–**	**(9,199,622)**
Change in value of beneficial interest:				
Life income plans	**–**	**(14,258)**	**(57,164)**	**(71,422)**
Trusts held by others	**–**	**–**	**(386,452)**	**(386,452)**
Distribution of restricted funds	**–**	**(1,559,826)**	**–**	**(1,559,826)**
Change in Jarvie Commonweal Fund beneficiary	**–**	**78,483,385**	**15,835,263**	**94,318,648**
Jarvie Program expenses	**–**	**(3,993,876)**	**–**	**(3,993,876)**
Net operating activity of Supporting Organizations	**33,417**	**–**	**–**	**33,417**
Gift annuity exhausted contract expense	**(367,152)**	**–**	**–**	**(367,152)**
Contribution to Gift Annuity Reserve	**(1,500,000)**	**–**	**–**	**(1,500,000)**
Total nonoperating (decrease) increase in net assets	**(1,328,387)**	**69,658,530**	**15,396,367**	**83,726,510**
Increase in net assets	**749,407**	**69,658,530**	**15,396,367**	**85,804,304**
Net assets at beginning of year	**10,220,363**	**6,844,723**	**21,761,053**	**38,826,139**
Net assets at end of year	**$ 10,969,770**	**$ 76,503,253**	**$ 37,157,420**	**$ 124,630,443**

See accompanying notes.

Presbyterian Church (U.S.A.) Foundation

Consolidated Statements of Activities and Changes in Net Assets

Year Ended March 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Changes in unrestricted net assets				
from operations:				
Revenues and gains:				
Fees earned from managed funds	$ 15,203,603	$ –	$ –	$ 15,203,603
Investment income	709,877	–	–	709,877
Other	3,421	–	–	3,421
Total revenues and gains	15,916,901	–	–	15,916,901
Expenses:				
Marketing and development	2,845,813	–	–	2,845,813
Investment management	2,049,586	–	–	2,049,586
Management and administrative	8,051,571	–	–	8,051,571
Total expenses	12,946,970	–	–	12,946,970
Excess of revenues over expenses				
from operations	2,969,931	–	–	2,969,931
Nonoperating increases (decreases)				
in net assets:				
Contributions	342,008	744,246	172,753	1,259,007
Gift annuity self-insurance fees earned	478,170	–	–	478,170
Investment income (loss)	(18,065)	130,698	–	112,633
Net gain (loss) on investments	(354,547)	411,855	–	57,308
Change in value of beneficial interest:				
Life income plans	–	19,223	(6,360)	12,863
Trusts held by others	–	–	(103,356)	(103,356)
Distribution of restricted funds	–	(1,541,799)	–	(1,541,799)
Gift annuity exhausted contract expense	(457,832)	–	–	(457,832)
Contribution to Gift Annuity Reserve	(1,500,000)	–	–	(1,500,000)
Total nonoperating (decrease) increase in net assets	(1,510,266)	(235,777)	63,037	(1,683,006)
Increase (decrease) in net assets	1,459,665	(235,777)	63,037	1,286,925
Net assets at beginning of year	8,760,698	7,080,500	21,698,016	37,539,214
Net assets at end of year	$ 10,220,363	$ 6,844,723	$ 21,761,053	$ 38,826,139

See accompanying notes.

Presbyterian Church (U.S.A.) Foundation

Consolidated Statements of Cash Flows

	Year Ended March 31	
	2016	**2015**
Operating activities		
Change in net assets	**$ 85,804,304**	$ 1,286,925
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	**220,707**	241,279
Realized and unrealized gains on investments	**9,199,622**	(95,971)
Contributions restricted for long-term investment	**(4,720)**	(172,753)
Changes in assets and liabilities:		
Investments held for others	**62,342,238**	(3,087,818)
Principal admissions receivable	**(177,164)**	(777)
Loan receivable, net of reserves	**5,330,525**	6,708,758
Amounts receivable from Presbyterian Church (U.S.A.), A Corporation	**1,812,781**	(1,285,672)
Other assets	**(1,052,816)**	1,855
Accounts payable and accrued expenses	**12,540**	63,554
Gift annuity reserves	**(5,405,736)**	(5,458,535)
Principal and income distributions payable	**(40,567)**	(55,111)
Nonendowment funds held for benefit of others	**(12,825,724)**	10,784,082
Endowment funds held for others	**(146,610,189)**	(9,732,585)
Present value of beneficial interest in Pew Trust	**386,452**	103,356
Net cash used in operating activities	**(1,007,747)**	(699,413)
Investing activities		
Purchase of property and equipment	**(74,717)**	(153,460)
Proceeds from sale of investments	**4,326,292**	3,970,249
Purchases of investments	**(3,985,601)**	(2,736,624)
Net cash provided by investing activities	**265,974**	1,080,165
Financing activities		
Proceeds of contributions restricted for investment in endowment funds	**4,720**	172,753
Net cash provided by financing activities	**4,720**	172,753
(Decrease) increase in cash and cash equivalents	**(737,053)**	553,505
Cash and cash equivalents at beginning of year	**3,338,433**	2,784,928
Cash and cash equivalents at end of year	**$ 2,601,380**	$ 3,338,433

See accompanying notes.

1. Organization

The Presbyterian Church (U.S.A.) Foundation (the Foundation) was originally incorporated on March 28, 1799, as the Trustees of the General Assembly of the Presbyterian Church (U.S.A.). Over the years, a number of name changes and reorganizations have taken place, the most recent in 1987. The Foundation is accountable directly to the General Assembly of the Presbyterian Church (U.S.A.). The Foundation offers various plans under which donors can make gifts of cash, securities, or other assets and specify how such gifts and related income are to be used. In addition, the Foundation acts as an investment manager of funds received from Presbyterian Church (U.S.A.), A Corporation (PCUSA). The Foundation is the fiduciary for certain constituent corporations related to the General Assembly of the Presbyterian Church (U.S.A.).

During 1997, the Foundation formed a subsidiary, New Covenant Trust Company, N.A. (NCTC), which is a limited purpose national trust bank chartered by the Office of the Comptroller of the Currency (the OCC) under federal banking laws. NCTC's charter limits the activities in which it may engage to trust and other fiduciary services of the type that nationally chartered limited purpose trust banks and the trust departments of full-service national banks are permitted to engage. NCTC provides investment management services directly to some churches, church-related institutions, individuals, and trustees of charitable and personal trusts. NCTC serves as the custodian for individual retirement accounts. NCTC is a wholly owned subsidiary of the Foundation and its activities are included in the Foundation's consolidated financial statements.

On August 2, 1999, New Covenant Funds (NCF), a registered family of mutual funds, was formed and sponsored by the Foundation. NCF is regulated by the Securities and Exchange Commission (SEC) and is governed by its own Board of Trustees. NCF complies with the social witness principles of the Presbyterian Church (U.S.A.) and does not invest fund assets in sectors and companies listed on the divestment list of the Presbyterian Church (U.S.A.). NCTC provides shareholder services, licenses, and social witness services to NCF. The total fee for these services is 25 basis points of total assets of NCF. The activity of NCF is not included in these consolidated financial statements.

In 1968, the Institute of Church Renewal, Inc. (ICR) was incorporated. In 2015, the Internal Revenue Service approved the designation of the Institute of Church Renewal as a Type I supporting organization to the Presbyterian Church (U.S.A.) Foundation. ICR's assets consist of an investment account comprised of marketable securities. The governing documents of ICR specify that ICR assets must be used to further the exempt purpose of the Institute of Church Renewal in support of the Presbyterian Foundation. At March 31, 2016, the fair value of the ICR's assets totaled \$1.3 million and are included with the Foundation's investments and ICR's operations are included in the Foundation's consolidated statements of activities and changes in net assets.

1. Organization (continued)

The Foundation and ICR are Section 501(c)(3) organizations exempt as religious organizations. The Foundation and ICR are exempt from federal and state income taxes on related income. NCTC is subject to federal and state income taxes.

2. Basis of Presentation and Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements have been prepared on an accrual basis in accordance with U.S. generally accepted accounting principles. The accompanying consolidated financial statements include the accounts of the Foundation and its subsidiary, NCTC.

The consolidated statements of activities and changes in net assets classify changes in net assets from operations and nonoperations. Operating activities support the daily operations of the Foundation and all organizations controlled by it, including investment management and development activities. Nonoperating activities include contributions, investment income, including market valuation changes in investments in hedge funds and interests in limited partnerships, and gains and losses on investments, which are designated or restricted for purposes other than the current operations of the Foundation.

Certain costs have been allocated between the Foundation and NCTC. All intercompany transactions and accounts have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenues and gains and expenses during the reporting period. Actual results could differ from those estimates.

2. Basis of Presentation and Accounting Policies (continued)

Cash Flows Presentation

The Foundation considers investments with a maturity of three months or less when purchased to be cash equivalents, excluding those amounts held as part of the investment portfolio. The carrying amount of cash equivalents approximates fair value.

Contributions received that are donor-restricted for long-term purposes are considered financing activities in the consolidated statements of cash flows.

Investments

Investments are recorded at fair values. Investment transactions are recorded on a trade-date basis. Realized gains and losses are recorded using the specific identification method of securities sold. Realized and unrealized gains and losses are reported in the consolidated statements of activities and changes in net assets, except for the gains and losses related to investment funds held for the benefit of others. Such gains and losses are credited, net of corresponding investment fees, directly to the funds held for benefit of others account (see Note 5).

Accounting Standards Codification (ASC) 820, *Fair Value Measurements*, requires companies to determine fair value based on the price that would be received to sell the asset or paid to transfer the liability to a market participant. ASC 820 emphasizes that fair value is a market-based measurement, not an entity-specific measurement.

ASC 820 establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

> *Level 1* – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
>
> *Level 2* – inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
>
> *Level 3* – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

2. Basis of Presentation and Accounting Policies (continued)

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Any changes to the valuation methodology are reviewed by management to confirm the changes are justified. As markets and products develop and the pricing for certain products becomes more or less transparent, the Foundation continues to refine its valuation methodologies. The methods described below may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

Following is a description of the Foundation's valuation methodologies for assets and liabilities measured at fair value.

The Foundation has an established process for determining fair values. Fair value is based upon quoted market prices, where available. If listed prices or quotes are not available, valuation adjustments may be made to ensure that financial instruments are recorded at fair value. These adjustments include unobservable parameters that are applied consistently over time.

The carrying amounts for cash and cash equivalents included in investments and as reported in the consolidated statements of financial position approximate their fair value.

The fair values of common stocks are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs).

Bonds and mortgage-backed securities are valued using matrix pricing, which is a mathematical technique widely used to value debt securities without relying exclusively on quoted prices for the specific securities, but rather by relying on the securities' relationship to other benchmark quoted securities (Level 2 inputs).

The equity, fixed income, and municipal mutual funds invest in publicly traded securities and bonds with quoted market prices (Level 1 inputs).

Other investments include non-traded certificates of deposit and an equity investment. The fair value of the certificates of deposit and equity investment was recalculated by applying the interest rate to the initial investments, and no discounts for credit quality or liquidity were determined to be applicable (Level 2 inputs).

2. Basis of Presentation and Accounting Policies (continued)

Also included in other investments are hedge funds, private equity funds and interests in limited partnerships for which readily marketable pricing is not necessarily available. The investments may include short sales on securities and trading in futures contracts, options, foreign currency contracts, other derivative instruments, private equity, and real estate investments. Management has determined that the net asset value (NAV) is an appropriate estimate of the fair value of these investments at March 31, 2016 and 2015, based on the fact that the alternative investments are audited and accounted for at fair value by the administrators of the respective alternative investments. If the Foundation has the ability to redeem its investment in the respective alternative investment at the NAV with no significant restrictions on the redemption at the consolidated statement of financial position dates, the Foundation has categorized the alternative investment as a Level 2 measurement in the fair value hierarchy. If the Foundation does not have the ability to redeem the alternative investment at the NAV due to significant restrictions, the Foundation has categorized the alternative investment as a Level 3 measurement.

Following is the summary of the inputs and valuation techniques as of March 31, 2016 and 2015, used for valuing alternative investments classified as Level 3 securities:

Securities	Input	Valuation Technique
Private equity funds	NAV	Income
Hedge funds	NAV	Market/Income
Real estate	NAV	Market/Income

The components of the individual investments within these funds are not readily determinable. The estimated fair value is based on valuations provided by the external investment managers. Foundation management believes the carrying amount of these financial instruments, approximately $279.7 million and $309.0 million at March 31, 2016 and 2015, respectively, is a reasonable estimate of fair value. Because these investments are not readily marketable, their estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for such investments existed. Such differences could be material. Based on these factors, these investments are classified as Level 3 assets. The Foundation has committed capital yet to be called of $60.5 million and $47.2 million at March 31, 2016 and 2015, respectively, to these alternative investments.

2. Basis of Presentation and Accounting Policies (continued)

Hedge funds are distinguished by: (1) investment flexibility provided to the manager and (2) the investment objective to earn absolute returns in up and down markets. The flexibility to short securities and use leverage are generally cited as defining characteristics of hedge funds. Equally important is the hedge fund manager's flexibility to invest in nontraditional securities or employ nontraditional strategies. Investments may be made in the U.S. and abroad. The common performance objective is to earn a return comparable to stocks with volatility between stocks and bonds that results in an attractive return/risk ratio.

Investments in hedge funds generally require a lock-up period of one to two years. From the end of the lock-up period, there can be additional limitations (e.g., gates) on the liquidity of limited partner capital.

Private equity funds make investments in the U.S. and abroad in private companies or take public companies private. Investment strategies include venture capital, distressed debt, and buyouts. At the company level, private equity capital funds new technologies, expands working capital, funds acquisitions, or strengthens a company's balance sheet. Private equity investing can require long holding periods; thus, fund partnership terms require long lock-up periods or investor committed capital. Given higher levels of risk and illiquidity than the public markets, private equity funds are expected to achieve a long-term investment return of public equities, plus a return premium. Investments in private equity do not allow for withdrawals from the partnership until the partnership is dissolved, unless special approval is awarded by the general partner. In nearly all of the partnerships, there are special provisions that allow for the life of the entity to be extended beyond the original dissolution date, typically two to four years.

Private real estate funds make investments in commercial real estate properties in the U.S. and abroad. Primary property types include office, multifamily, retail, hotel, industrial, and undeveloped land. Investment strategies include value-added initiatives, such as lease-up, renovations, and repositioning of existing property, and more opportunistic initiatives such as development and redevelopment. Private real estate investing can require long holding periods; thus, fund partnership terms require long lock-up periods for investor committed capital. Given higher levels of risk and illiquidity than the public real estate market (e.g., REITs), private real estate funds are expected to achieve a long-term investment return of REITs, plus a return premium. Investments in private real estate do not allow for withdrawals from the partnership until the partnership is dissolved, unless special approval is awarded by the general partner. In nearly all of the partnerships, there are special provisions that allow for the life of the entity to be extended beyond the original dissolution date, typically two to four years.

2. Basis of Presentation and Accounting Policies (continued)

The following table presents the financial instruments carried at fair value as of March 31, 2016, by the ASC 820 valuation hierarchy defined above (in millions):

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				
Cash and cash equivalents	$ 81.3	$ –	$ –	$ 81.3
Marketable securities:				
Fixed income securities:				
Corporate bonds	–	28.1	–	28.1
Treasury bonds	–	13.8	–	13.8
Mortgage-backed securities	–	35.5	–	35.5
Municipal bonds	–	3.5	–	3.5
Fixed income mutual funds	100.5	34.4	–	134.9
Equity securities:				
Domestic common stock	105.2	0.1	–	105.3
Foreign common stock	94.0	–	–	94.0
Equity mutual fund	203.6	10.2	–	213.8
Preferred stock	0.9	–	–	0.9
Other:				
Certificates of deposit	–	7.5	1.9	9.4
Reinsured gift annuity contracts	–	–	10.0	10.0
Alternative investments:				
Hedge funds	–	–	160.6	160.6
Private equity	–	–	116.5	116.5
Real estate	–	–	0.6	0.6
Present value of beneficial interest in Pew Trust	–	–	5.8	5.8
Total	$ 585.5	$ 133.1	$ 295.4	$ 1,014.0

2. Basis of Presentation and Accounting Policies (continued)

For Level 3 securities, when observable prices are not available, the Foundation might use one or more valuation techniques, such as the market approach or the income approach, for which sufficient and reliable data is available. Within Level 3, the use of the market approach generally consists of using either the guideline company method or similar transaction method, while the income approach generally consists of the net present value of estimated future cash flows, adjusted as appropriate for liquidity, credit, market, and/or other risk factors. Significant increases (decreases) in any of those observable inputs in isolation would result in a significantly (lower) higher fair value measurement. The impact of these changes would be recognized in accordance with applicable accounting guidance.

The following table summarizes the activity related to assets having fair value measurements based on significant unobservable inputs (Level 3) (in millions):

	Hedge Funds	Venture Capital, Partnerships, and Real Estate	Reinsured Gift Annuity Contracts	Beneficial Interest in Pew Trust
Fair value at March 31, 2014	$ 190.4	$ 45.5	$ 11.5	$ 6.3
Purchases	25.9	63.5	–	–
Sales/return of capital	(18.1)	(10.8)	–	–
Realized and unrealized gains/(losses)	4.4	6.3	–	(0.1)
Purchases/valuation changes in reinsured gift annuity contracts	–	–	(0.7)	–
Fair value at March 31, 2015	202.6	104.5	10.8	6.2
Purchases	**3.4**	**26.6**	**–**	**–**
Sales/return of capital	**(25.7)**	**(12.2)**	**–**	**–**
Realized and unrealized gains/(losses)	**(19.7)**	**0.1**	**–**	**–**
Purchases/valuation changes in reinsured gift annuity contracts	**–**	**–**	**(0.8)**	**(0.4)**
Fair value at March 31, 2016	**$ 160.6**	**$ 119.0**	**$ 10.0**	**$ 5.8**

2. Basis of Presentation and Accounting Policies (continued)

The following table presents the financial instruments carried at fair value as of March 31, 2015, by the ASC 820 valuation hierarchy defined above (in millions):

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				
Cash and cash equivalents	$ 103.0	$ 0.4	$ –	$ 103.4
Marketable securities:				
Fixed income securities:				
Corporate bonds	–	28.1	–	28.1
Treasury bonds	–	13.7	–	13.7
Mortgage-backed securities	–	38.0	0.5	38.5
Municipal bonds	–	4.1	–	4.1
Fixed income mutual funds	114.2	42.9	–	157.1
Municipal mutual fund				
Equity securities:				
Domestic common stock	113.1	–	–	113.1
Foreign common stock	102.2	–	–	102.2
Equity mutual fund	181.8	10.1	–	191.9
Preferred stock	1.1	–	–	1.1
Other:				
Certificates of deposit	–	7.6	1.4	9.0
Reinsured gift annuity contracts	–	–	10.8	10.8
Alternative investments:				
Hedge funds	–	–	202.6	202.6
Private equity	–	–	103.9	103.9
Real estate	–	–	0.6	0.6
Present value of beneficial interest in Pew Trust	–	–	6.2	6.2
Total	$ 615.4	$ 144.9	$ 326.0	$ 1,086.3

2. Basis of Presentation and Accounting Policies (continued)

Beneficial Interest in Pew Trust

The Foundation is an income beneficiary of a trust fund held by others. The Foundation has recorded as an asset the net present value of the estimated income to be received from the Pew Trust. The fair value is based on a valuation model that calculates the present value of estimated distributable income. The valuation model incorporates the fair value of investment holdings, which are readily determinable marketable securities valued at quoted prices, and incorporates assumptions that market participants would use in estimating future distributable income. Beneficial interests in trust assets are considered Level 3.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Foundation has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Foundation in perpetuity.

Supporting Organizations

The net assets of the Foundation's supporting organization are included in the Foundation's unrestricted net assets. A supporting organization is a subsidiary of the Foundation that has its own charitable status, board of directors, bylaws, investment policies and grant priorities. Through its close connection to the Foundation, a supporting organization is conferred public charity status and receives all of the associated tax benefits.

Benefit Costs

Pension and medical insurance costs are funded by annual contributions as determined by the Board of Pensions, a related organization of the General Assembly of the Presbyterian Church (U.S.A.).

Foundation Operating Expenses

On a consolidated basis, the Foundation funds the majority of its operating expenses (see Note 9) from fees charged for services rendered. Income earned from its own endowment funds is also used to fund the operating expenses.

2. Basis of Presentation and Accounting Policies (continued)

Loan Receivable, Net of Reserves

Loan funds are restricted by the Boards of the Foundation or certain constituent corporations, or donors, to be used for loans and/or grants to certain entities of the Presbyterian Church (U.S.A.). The Foundation and/or one of its constituent corporations is the fiduciary owner of outstanding church loan funds that total approximately $71.9 million and $77.2 million, which is net of reserves of $0.9 and $1.1 million at March 31, 2016 and 2015, respectively.

The Foundation has entered into a limited power of attorney with the PC(USA) to act as its agent for the disbursement of these restricted church loan funds. The church loan funds may vary in restriction as to use of the loan or type of entity that may be classified as a borrower. Loans receivable represent the portion of these loan funds that are currently funded.

The reserve recorded is available for loan charge-offs and is based on management's evaluation of several key factors, including the current loan portfolio, current economic conditions, and other pertinent information. The reserve is based on estimates, and ultimate losses may vary from current estimates. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in the periods in which they become known.

Property, Equipment, and Software

Property, equipment, and software are stated at cost. Depreciation and amortization are computed using the straight-line method over estimated useful lives ranging from 3 to 40 years.

Revenue Recognition

Fees earned from managed funds are recorded in the month services are provided. Fees related primarily to administrative services provided to managed funds totaled approximately $13.2 million and $13.4 million for the years ended March 31, 2016 and 2015, respectively. Fees related primarily to shareholder services, licenses, and social witness services for NCF totaled approximately $1.8 million for the years ended March 31, 2016 and 2015.

3. Funds Administered by the Foundation

Foundation Funds – consist of unrestricted, temporarily restricted, and permanently restricted net assets available for the work of the Foundation. Contributions and related investment income restricted by donors for particular programs are reported as temporarily restricted revenue when received. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities and changes in net assets as net assets released from restrictions. Permanently restricted funds consist of gifts or bequests, the principal of which cannot be expended.

The composition of temporarily and permanently restricted assets is as follows:

	March 31	
	2016	**2015**
Temporarily restricted:		
Present value of life income plans benefiting the Foundation	**$ 418,572**	$ 432,830
Jarvie Commonweal Fund	**69,479,601**	–
Lilly Grant	**998,723**	–
Donor restricted funds	**19,923**	–
Donor-advised funds	**5,586,434**	6,411,893
Total temporarily restricted net assets	**$ 76,503,253**	$ 6,844,723
Permanently restricted:		
Present value of life income plans benefiting the Foundation	**$ 675,182**	$ 733,114
Jarvie Endowment fund	**15,835,263**	–
Beneficial interest in Pew Trust	**5,829,268**	6,215,720
Endowment funds benefiting the Foundation	**14,817,707**	14,812,219
Total permanently restricted net assets	**$ 37,157,420**	$ 21,761,053

Funds Held for Benefit of Others – consist of the following: (1) investment funds managed by the Foundation for PCUSA and other Presbyterian-related entities for investment purposes and returnable to the investing entity; (2) loan funds that are discussed in Note 2; (3) annuity and life income plans that provide for income distributions or other payments to the donor or other designated beneficiaries during their lifetime or a term of years and following the lifetime of the beneficiaries, the remaining balance is disbursed to a charitable beneficiary, or transferred to an endowment fund held by the Foundation for the benefit of a Presbyterian-related charitable

3. Funds Administered by the Foundation (continued)

beneficiary, as designated by the donor; and (4) endowment funds, the principal of which cannot be expended, for which another entity has a beneficial interest in income. The Foundation acts as a fiduciary with respect to the endowment funds in accordance with an explicit directive from the General Assembly and designation from donors.

4. Endowments

Endowment funds that benefit the Foundation consist of approximately 60 funds established for a variety of purposes. The endowment funds include both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of imposed restrictions.

The Board of Trustees of the Foundation operates under the Indiana Uniform Prudent Management of Institutional Funds Act (INUPMIFA). The Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of permanent endowment funds that are not classified in permanently restricted net assets are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by INUPMIFA. In accordance with INUPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate endowment funds:

(1) The duration and preservation of the fund
(2) The purposes of the Foundation and the endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the Foundation
(7) The investment policies of the Foundation

4. Endowments (continued)

The Foundation has adopted investment and spending policies for endowment funds that attempt to provide a predictable stream of funding to programs supported by its endowment funds while seeking to maintain purchasing power of the endowment funds. Endowment funds include those assets of restricted funds that the Foundation must hold in perpetuity or for a specific period(s), as well as board-designated funds. Under these policies, as approved by the Board of Trustees, the endowment funds are invested in a manner that is intended to produce a real return, net of inflation and investment management costs, of at least 5% over the long term. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term objective within prudent risk constraints.

The Foundation has a policy of annually setting the total return payout rate. The policy specifies that the payout rate will not be more than 7% of the average principal for the three years ending the prior December 31. In establishing this policy, the Foundation considers the long-term expected return on endowment assets and the payout rate may vary from year to year but may never be greater than 7%. Accordingly, over the long term, the Foundation expects the current spending policy to allow endowment funds to grow at an average of the long-term rate of inflation. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specific term, as well as to provide additional real growth through new gifts and investment return. It is anticipated that payments will approximate the estimated sustainable rates of total return (income and a portion of capital appreciation) after inflation. This total return payout rate will be monitored to determine the effects of changing return and inflation expectations on the preservation of purchasing power and the generation of appropriate levels of spendable income, and the payout rate will be reset annually.

The current policy calls for a 4.25% annual total return payout rate of the average market value based on the 20-quarter rolling average with an 18-month lag. Pursuant to this policy, the Foundation will pay and paid the beneficiaries of certain endowments 4.4% (based on the December 31, 2015 market value) and 4.0% (based on the December 31, 2014 market value) in 2016 and 2015, respectively.

4. Endowments (continued)

At March 31, 2016, the endowment net asset composition by type of fund consisted of the following (in thousands):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted funds	**$ (4,078.5)**	**$ 76,503.3**	**$ 37,157.4**	**$ 109,582.2**
Board-designated funds	**6,932.1**	**–**	**–**	**6,932.1**
Total funds	**$ 2,853.6**	**$ 76,503.3**	**$ 37,157.4**	**$ 116,514.3**

Changes in endowment net assets for the fiscal year ended March 31, 2016, consisted of the following (in thousands):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	**$ 1,256.8**	**$ 6,844.7**	**$ 21,761.1**	**$ 29,862.6**
Investment return	**1,101.6**	**2,803.7**	**–**	**3,905.3**
Net appreciation	**(1,256.9)**	**(7,956.9)**	**(443.6)**	**(9,657.4)**
Contributions	**1,418.5**	**1,882.1**	**4.7**	**3,305.3**
Net supporting organization revenue	**33.4**	**–**	**–**	**33.4**
Appropriation of endowment assets for expenditure	**(1,463.5)**	**(5,553.7)**	**–**	**(7,017.2)**
Other changes:				
Reclassification of Jarvie	**–**	**–**	**–**	**–**
Commonweal fund	**–**	**78,483.4**	**15,835.2**	**94,318.6**
Transfers to create board-designated endowment funds	**1,763.7**	**–**	**–**	**1,763.7**
Endowment net assets, end of year	**$ 2,853.6**	**$ 76,503.3**	**$ 37,157.4**	**$ 116,514.3**

4. Endowments (continued)

In fiscal year 2016, the Foundation appropriated approximately $1,465,000 endowment assets for expenditure. Assets appropriated for expenditure include $1,095,000 of income distributions for operations and $370,000 for exhausted gift annuity contract payments.

In fiscal year 2016, the Foundation transferred approximately $1,765,000 into board-designated endowment funds, of which $340,000 was for the gift annuity contribution account and $1,425,000 was transferred into its reserve account.

At March 31, 2015, the endowment net asset composition by type of fund consisted of the following (in thousands):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted funds	$ (2,949.6)	$ 6,844.7	$ 21,761.1	$ 25,656.2
Board-designated funds	4,206.4	–	–	4,206.4
Total funds	$ 1,256.8	$ 6,844.7	$ 21,761.1	$ 29,862.6

4. Endowments (continued)

Changes in endowment net assets for the fiscal year ended March 31, 2015, consisted of the following (in thousands):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 453.0	$ 7,080.5	$ 21,698.0	$ 29,231.5
Investment return	699.3	130.7	–	830.0
Net appreciation	(354.5)	431.1	(109.7)	(33.1)
Contributions	342.0	744.2	172.8	1,259.0
Appropriation of endowment assets for expenditure	(1,175.1)	(1,541.8)	–	(2,716.9)
Other changes:				
Transfers to create board-designated endowment funds	1,292.1	–	–	1,292.1
Endowment net assets, end of year	$ 1,256.8	$ 6,844.7	$ 21,761.1	$ 29,862.6

In fiscal year 2015, the Foundation appropriated approximately $1,180,000 of endowment assets for expenditure. Assets appropriated for expenditure include $720,000 of income distributions for operations and $460,000 for exhausted gift annuity contract payments.

In fiscal year 2015, the Foundation transferred approximately $1,290,000 into board-designated endowment funds, of which $480,000 was for the gift annuity contribution account and $810,000 was transferred into its reserve account.

From time to time, the fair value of assets associated with endowment funds may fall below the amount classified as permanently restricted. Deficiencies of this nature, which are reported in unrestricted net assets, were $4.1 million and $3.0 million as of March 31, 2016 and 2015, respectively. These deficiencies resulted from unfavorable market fluctuations that generally occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board of Trustees.

5. Investments and Accrued Income

A summary of investments and accrued income follows (in millions) as of March 31:

	2016		2015	
	Cost	**Market**	**Cost**	**Market**
Cash and short-term investments	**$ 90.3**	**$ 90.3**	$ 112.0	$ 112.0
Stocks and stock funds	**407.3**	**414.9**	363.9	408.9
Bonds and bond funds	**219.1**	**215.4**	243.8	241.3
Alternative investments	**266.1**	**277.7**	273.4	307.1
Reinsured gift annuity contracts	**10.0**	**10.0**	10.8	10.8
Accrued interest and dividends	**1.8**	**1.8**	1.9	1.9
Total	**$ 994.6**	**$ 1,010.1**	$ 1,005.8	$ 1,082.0

A summary of realized and unrealized gains (losses) on investments follows (in millions):

Year Ended March 31, 2016	**Realized Gains (Losses)**	**Unrealized Gains (Losses)**	**Total**
Gains related to:			
Foundation funds	**$ (2.3)**	**$ (6.9)**	**$ (9.2)**
Investment funds held for benefit of others	**(8.2)**	**(64.8)**	**(73.0)**
Total net gains	**$ (10.5)**	**$ (71.7)**	**$ (82.2)**
Year Ended March 31, 2015			
Gains related to:			
Foundation funds	$ 1.3	$ (1.2)	$ 0.1
Investment funds held for benefit of others	14.4	(21.9)	(7.5)
Total net gains	$ 15.7	$ (23.1)	$ (7.4)

The Foundation's investment portfolio is diversified and monitored by management and the Investment Committee of the Board of Trustees for compliance with the Board of Trustees' investment policy. The market value of the Foundation's investment portfolio is largely dependent upon changes in the securities markets.

6. Property, Equipment, and Software

	March 31	
	2016	**2015**
Land	**$ 149,233**	$ 149,233
Building and building improvements	**3,319,903**	3,319,903
Furniture and equipment	**941,165**	941,165
Computers, related equipment, and software	**2,232,051**	2,157,152
	6,642,352	6,567,453
Less accumulated depreciation and amortization	**(4,841,811)**	(4,620,922)
Property, equipment, and software, net	**$ 1,800,541**	$ 1,946,531

7. Benefits Data

Employees of the Foundation participate in a church-wide, multiemployer benefit plan administered by the Board of Pensions of the Presbyterian Church (U.S.A.), which provides a defined benefit pension plan, a retirement savings plan, and a major medical plan. As of March 31, 2016 and 2015, net assets of the pension plan available for plan benefits exceeded the actuarial value of accumulated plan benefits for all covered employee groups. However, the Foundation's portion of plan assets and accumulated benefits is not determinable. Employees contribute to the retirement savings plan at their option. Although there is no liability to the Foundation upon withdrawal from the plans, withdrawal by other participating entities may increase amounts assessed to the Foundation and other remaining participants in future years. Management believes that any withdrawal liability will not have a material impact on the consolidated financial statements.

Foundation pension costs were approximately $593,000 and $506,000 and medical costs were approximately $1,211,000 and $1,034,000 for the fiscal years ended March 31, 2016 and 2015, respectively.

8. Gift Annuity Funds

A summary of gift annuity funds follows:

	March 31	
	2016	**2015**
Assets available for future payments to annuitants	**$ 56,140,065**	$ 62,509,686
Reserve liability	**(46,220,735)**	(51,626,471)
Balance	**$ 9,919,330**	$ 10,883,215

The Foundation engages an independent actuary to determine the reserve liability for the gift annuity funds. Certain states have their own methods of determining the reserve liability, and the independent actuary determines the reserve liability based on each state's method. In aggregate, the Foundation's assets available for future payments to annuitants exceed the reserve liability as calculated by the independent actuary for all states. The Foundation is in compliance with all state filings and requirements.

The Foundation accounts for each gift annuity contract separately. Each contract is valued individually based on the contract's ownership share of the gift annuity pool's assets. At contract termination, if the contract has excess funds, those funds are distributed from the gift annuity pool to the named charitable beneficiary in the contract. However, if a contract exhausts its funding, the Foundation is obligated to continue payments to the annuitant. These payments are funded from Foundation assets. An independent actuary engaged by the Foundation assists the Foundation in determining the contracts that are projected to exhaust their funding and would require funding from the Foundations assets. The present value of the payments projected to be funded from Foundation assets is $8.5 million as of December 31, 2015, as calculated by the independent actuary and is paid over the life of the contracts, with some contracts expected to terminate in 2057. Any required funding from Foundation assets is recorded in the period in which the funding occurs, as the amounts that could be potentially due from Foundation assets are not considered probable due to the inherent uncertainties with each contract.

The assets available for future payments to annuitants of $56,140,065 and $62,509,686 at March 31, 2016 and 2015, respectively, is included in the annuity and life income plans, which are classified as funds held for benefit of others.

8. Gift Annuity Funds (continued)

The Foundation previously reinsured various gift annuity obligations with different insurance companies. The insurance companies assume all mortality and investment risk associated with these gift annuities. However, the Foundation remains liable for fulfilling the requirements of the reinsured gift annuity agreements. The value of these policies has been determined to equal the outstanding annuity reserve liability of the contracts reinsured by the Foundation, which is approximately $10.0 million and $10.8 million at March 31, 2016 and 2015, respectively. These amounts have been included on the consolidated statements of financial position within the financial statement caption "Investments and accrued income." These reinsured gift annuity contracts are considered Level 3.

As a result of the reinsurance of the mortality and investment risk associated with these gift annuities, changes in the present value of expected payments to annuitants over their life expectancies from the date of the policy forward represent changes in the associated asset and not income to the Foundation.

Gift annuity assets are held in segregated trust accounts and are not commingled with other Foundation assets.

9. Foundation Operating Expenses

	Year Ended March 31	
	2016	**2015**
Salary and benefits	**$ 7,557,517**	$ 6,702,362
Outside investment services	**2,033,580**	2,104,151
Other operating expenses	**4,521,266**	4,140,457
	$ 14,112,363	$ 12,946,970

10. Jarvie Commonweal Service

The Jarvie Commonweal Fund was originally established as a New York not-for-profit corporation in 1925. A vehicle for organizing the charitable giving of the late Mr. James N. Jarvie, it was originally known as the Commonweal Fund and renamed the Jarvie Commonweal Fund in 1927 (the "Commonweal Fund").

10. Jarvie Commonweal Service (continued)

The Commonweal Fund continued until November 14, 1934, when the Trustees of the Commonweal Fund entered into an agreement (the "Agreement") with the Board of National Missions (the "BNM") of the Presbyterian Church, donating the assets and transferring the responsibility for the service to the BNM. The Agreement stipulated that the BNM carry on "in fact and spirit, the Jarvie concept of Old Age Relief."

Pursuant to the requirements of the Agreement, BNM established a permanent endowment fund known as the James N. Jarvie Commonweal Endowment Fund (the "Endowment Fund") and created the James N. Jarvie Commonweal Service Committee (the "JCSC") to assist the BNM in administering the Endowment Fund. By supplemental agreements dated June 17, 1936, October 25, 1937, and December 12, 1939, additional assets were transferred by the Commonweal Fund to be administered under the same terms and conditions as the Endowment Fund. The Agreement stipulates that at least 75% of such income is to be used by the JCSC to continue the Jarvie concept of old-age relief and service. The remaining 25% or less may be allotted by the BNM, at its discretion, to such special religious and Christianizing projects as may appeal to its judgment and may properly be within its jurisdiction.

In 1946, the Commonweal Fund made its final transfer of funds to the BNM. The Commonweal Fund was then dissolved. The monies transferred to the BNM under this separate Trust Agreement in 1946 (the "Trust Fund") were designated for grants to organizations and emergency assistance (the Trust does not provide assistance to individuals directly, but rather indirectly through relief agencies). Accompanying the transfer were instructions and guidelines related to such grants and assistance.

As a result of a reorganization of Church entities in 1972, the trustees of the Foundation, who are elected by the General Assembly of the Church (its highest governing body), are also the trustees of the BNM. After further reorganization in the 1980s, the fiduciary responsibility for the Jarvie funds remained with the BNM while the implementation and operation of the program became the national mission agency's responsibility, now known as the Presbyterian Mission Agency (PMA). Given this structure, BNM was considered the fiduciary and PMA was considered the beneficiary of these funds. Therefore, the Foundation and BNM recorded the Jarvie funds as an asset and an endowment fund held for the benefit of others in the consolidated statement of financial position.

In November 2013, the PMA informed the Foundation that the PMA could no longer operate the program and PMA would no longer be the recipient of the Jarvie funds to operate the program. The Jarvie program's operations transitioned from PMA to BNM on July 1, 2015 when BNM assumed responsibility for the Jarvie program. BNM has contracted with a third party to operate the program at BNM's direction, however, BNM remained the fiduciary of the Jarvie funds and

10. Jarvie Commonweal Service (continued)

BNM is also now the beneficiary of the Jarvie funds. Therefore, the Foundation and BNM will continue to record the Jarvie funds as an asset, however, on July 1, 2015, the Foundation recorded an increase to temporarily and permanently restricted net assets (based on the restrictions on these funds discussed above), with an offsetting decrease in the endowment fund held for the benefit of others in the consolidated statements of financial position. Additionally, beginning on July 1, 2015, the Foundation and BNM began recording any program revenue and expenses related to the Jarvie funds in its consolidated statement of activities and changes in net assets.

11. Grant from the Lilly Endowment Fund

The Presbyterian Church (U.S.A.) Foundation received a $1 million grant in fiscal year 2016 as part of Lilly Endowment Inc.'s National Initiative to Address Economic Challenges Facing Pastoral Leaders. The Lilly Endowment Inc. is an Indianapolis-based private philanthropic foundation created in 1937 by three members of the Lilly family – J.K. Lilly Sr. and sons J.K. Jr. and Eli – through gifts of stock in their pharmaceutical business, Eli Lilly & Company.

The Foundation's work under this proposal will address the many financial challenges that diminish the effective ministry of pastoral leaders in their professional sphere. Research has shown that economic challenges result from an array of professional issues that are theological, staff-related, systemic, personal/political, and technological. All of these elements must be addressed to effectively change church culture toward healthier understandings and practices of church financial administration and leadership. The Foundation will use its grant to assemble a body of educational materials and tools for effective financial church leadership and administration and make them available to both pastors and lay leaders; develop a comprehensive overhaul of the PC(USA) congregational stewardship system; and build on existing and create new technological means to deliver training, tools, and resources for pastoral and congregational leaders.

During the year ended March 31, 2016, the Foundation recorded $998,183 as Contributions – Temporarily Restricted and $540 of income earned on the invested portion of the Lilly Grant. Of the $1 million grant, $1,817 was recorded as Contributions – Unrestricted, as this amount was used in the current year to fund expenses related to the grant in the consolidated statement of activities and changes in net assets.

12. Subsequent Events

For the year ended March 31, 2016, the Foundation has evaluated all events or transactions that occurred through November 9, 2016, the date these consolidated financial statements were available to be issued.